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*2836*  
Executive Secretary  
8/26/82  
Date

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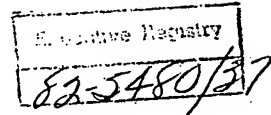
NSC review  
completed.

State Dept. review completed



DEPARTMENT OF STATE

Washington, D.C. 20520



August 25, 1982

UNCLASSIFIED  
(With SECRET Attachment)

TO : OVP - Mr. Donald P. Gregg  
NSC - Mr. Michael O. Wheeler  
Treasury - Mr. David Pickford  
Agriculture - Mr. Raymond Lett  
CEA - Mr. William Niskanen  
CIA - Mr. Thomas B. Cormack  
Commerce - Mrs. Helen Robbins  
Defense - COL John Stanford  
Justice - Mr. F. Henry Habicht  
OMB - Mr. William Schneider  
OPD - Mr. Edwin Harper  
USTR - Mr. Dennis Whitfield

SUBJECT: SIG Meeting Summary of Conclusions

Attached is the Summary of Conclusions for the SIG-IEP Meeting on sanctions held on August 24, 1982.

L. Paul Bremer III  
Executive Secretary

Attachments:

1. Summary of Conclusions
2. List of Participants

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(With SECRET Attachment)

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## DEPARTMENT OF STATE

Washington, D.C. 20520

August 25, 1982

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PARTICIPANTS: See List Attached

DATE AND TIME: August 24, 1982, 11:00 a.m.

PLACE: Deputy Secretary's Conference Room 7219, State Department

SUBJECT: SIG Meeting on Sanctions Policy, August 24

SUMMARY OF CONCLUSIONS

Secretary Shultz as Vice Chairman convened the SIG-IEP to discuss options for pursuing the President's sanctions on pipeline-related exports to the USSR. Relevant to the meeting was the French act of requisition on August 23 directing Dresser-France to complete the delivery of three compressors to the Soviets.

CIA briefed on the situation in Europe. The pipeline may still be delayed and its costs increased, but Soviet reallocation of manpower and equipment from domestic gas programs will enable West European deliveries to begin in late 1984. Among the allies, France has taken the lead in opposing U.S. sanctions. The UK, the FRG and Italy while less aggressive are expected to follow suit.

Under Secretary Buckley briefed on the French situation and on the status of pipeline orders in allied states. Mr. Unger followed with an assessment of Dresser's action in Federal District Court and the prospect of using denial orders as sanctions against Dresser and other potential violators. The merits of various legal approaches were discussed.

Under Secretary Buckley reviewed the four options in the discussion paper. Speaking for State, he supported a combination of options 2 and 4. Defense responded that an effort should be made to convince the French to avoid a violation; France derived benefit from technology links to the U.S., yet was taking actions to invalidate private contractual arrangements. Secretary Shultz asked for other agency comments. USTR emphasized the relevance of overall trade policy, and supported options 2 and 4. CEA concurred. Justice, Treasury, OMB, Agriculture, and Commerce also supported USTR. CIA stated that the Europeans are convinced that U.S. sanctions will not be upheld in their courts or in international law.

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Secretary Shultz summarized the discussion in three points: (1) If the President's policy is challenged, the U.S. must respond credibly and effectively. In this regard, the denial order has a number of merits: it is flexible, can be tailored to different circumstances, buys time, and can be understood by Europeans more readily than can certain less predictable legal actions. (2) The U.S. aim should be to avoid expanding the confrontation. (3) The SIG takes a positive attitude toward making a further appeal to France before a shipment occurs, and toward pursuing a combination of options 2 and 4 in case a shipment occurs.

Secretary Shultz asked if all members agreed with this summation. There being no dissent, he concluded the meeting.

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SIG Meeting on International Economic Policy

August 24, 1982, 11:00 a.m.

D Conference Room 7219, Department of State

PARTICIPANTS

State

Secretary Shultz, Chairing  
Mr. James Buckley, T  
Mr. W. Allen Wallis, E/d  
Mr. Davis Robinson, L  
Mr. Tain Tompkins, S/S-S (Notetaker)

OVP

Mr. Donald Gregg  
ADM Daniel Murphy

NSC

Mr. Henry Nau  
Dr. Norman Bailey

Treasury

Mr. R. T. McNamar  
Mr. Marc Leland  
Mr. Peter Wallison

Agriculture

Secretary Block

CEA

Mr. Murray Weidenbaum  
Mr. William Poole

CIA

Mr. John McMahon

STAT

Commerce

Secretary Baldrige  
Mr. Sherman Unger

Defense

Secretary Weinberger  
Mr. Richard Perle

Justice

Mr. Edward Schmults  
Mr. Jonathan Rose

OMB

Mr. Joe Wright  
Mr. Bill Schneider

OPD

Mr. Les Denend

USTR

Amb. Bill Brock  
Mr. Donald DeKieffer

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